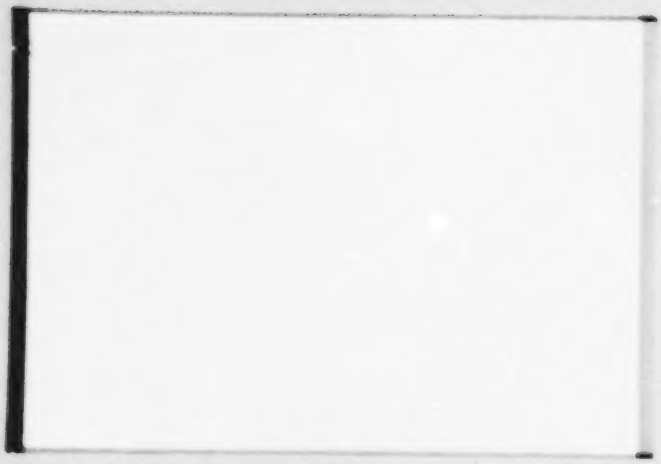
CMHC
Canada Mortgage
and Housing Corporation

SCHL
Société canadienne
d'hypothèques et de logement



SURVEY OF LENDERS
ON
FINANCING OF HOME IMPROVEMENTS

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Prepared for:

Canada Mortgage and Housing Corporation

Prepared by:

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March 27, 1985

EXECUTIVE SUMMARY

Canada Mortgage and Housing Corporation commissioned Clayton Research Associates to undertake a survey of lenders across Canada to obtain information on the means of financing home improvements by homeowners, rental property owners and renovation contractors and to identify constraints to the financing of home improvements.

Home improvements are broadly defined to encompass all types of renovations, ranging from small repair and maintenance work to major retrofits.

The main findings of this survey are summarized below:

- Home improvements in Canada are financed through a number of loan instruments. The type of loan instrument used for any particular home improvement depends on the size of loan required, the characteristics of the borrower, the internal rules and regulations of the institution and the borrowers' equity in the property.

- For homeowners, the general pattern of lending for home improvements is as follows:

  - For small repair and maintenance types of loans up to a value of approximately $5,000, the most common loan instrument is the consumer loan though, in some cases, a demand loan or line of credit may be used. These instruments normally require little documentation or administrative time and funds can be advanced quickly, however, interest rates are generally higher than on mortgages. Frequently, these loans have little or no security beyond the signing of a promisory note.

  - For loan amounts between $5,000 and $10,000, the consumer loan is still the predominant lending instrument; normally some sort of collateral is required as security for the loan. The collateral can be a second mortgage, however, the legal and appraisal fees associated with a second mortgage can be avoided with other types of security.

  - For loans above $10,000, first or second mortgages become more prevalent though some borrowers still qualify for consumer or demand loans or lines of credit. Most homeowners have sufficient equity in their homes to qualify for the necessary mortgage financing based on an "as is" appraisal.

- For loans to owners of rental properties and contractor loans, lenders generally prefer to finance the renovation on an interim basis through a demand loan or line of credit. Following completion of the work, lenders are prepared to offer a mortgage based on the upgraded value of the property.

- Lenders prefer not to commit mortgages which require inspections of the work and loan disbursements as the work proceeds, however, most are prepared to undertake such commitments.

- Most lenders surveyed do not have a specialized home improvement loan instrument. In cases where such loans are available, they are either a slightly modified consumer loan or a simple mortgage loan for those with substantial equity in their home.

- The CMHC Home Improvement loan is not generally used by lenders.

- Lenders for the most part do not keep records on the number of home improvement loans. In general, most lenders believe that the volume of loans for renovations is increasing.

- Red-lining is not prevalent according to most lenders. Some lenders do, however, admit to the practice and many lenders indicate that they impose lower loan/value ratios or higher interest rates in areas they perceive to be more risky.

- Administrative costs on most home improvement loans are generally no different from other loans according to most lenders. Mortgages with inspections and disbursements, however, do entail higher administrative costs.

- Home improvement loans are considered by most lenders to be less risky than other types of loans because, in most cases, there is substantial equity involved in the property and the borrowers are more creditworthy than the average borrower.

- Most lenders indicate that the proportion of home improvement loans rejected is lower than for other types of loans.

- There do not appear to be major regional variations in the practices of lenders with regard to renovation loans. Among different types of institutions, the large banks and some trust companies offer the full range of home improvement loan services in all major centres - though only the large banks commonly lend in small communities. Other institutions have a smaller range of home improvement loan services.

- Almost all lenders believe that Canadians generally have good access to financing for home improvements. According to some lenders, rural areas and small towns do not have as good access to financing as urban areas; however, this is not peculiar to renovation lending.

- Most lenders do not believe that there is a need for government assistance to homeowners or owners of rental property in financing residential renovation work either through subsidies, loan guarantees or mortgage insurance. However, a minority of lenders do believe that assistance would be beneficial.

- While most lenders do not believe there is a need for government promotion of renovation lending, some lenders suggested programs such as education for homeowners and promotion programs for renovation contractors.

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INTRODUCTION

Canada Mortgage and Housing Corporation commissioned Clayton Research Associates to undertake a survey of lenders across Canada to obtain information on the means of financing home improvements by homeowners, rental property owners and renovation contractors.

According to the terms of reference for this assignment: "Government guaranteed loans for home improvement were heavily used in Canada during the 1960's and early 70's as the vehicle for renovation financing. In recent years, the use of government renovation programs offering loan guarantees has been greatly reduced. The number of Home Improvement loans guaranteed by CMHC has dropped to less than one percent of the peak volumes. Second mortgage insurance offered by the Mortgage Insurance Company of Canada, and believed to be partially used for renovations, resulted in only 18,000 loans in 1984. A similar scheme in Ontario, Renoloan, specifically designed to assist residential renovators, has experienced low take-up in its first year of operation."

"At the same time that renovation programs offering loan guarantees are not being heavily used, the overall volume of residential renovation (repairs and improvements) is increasing, with estimates of renovation expenditures in 1984 as high as $7 billion. When compared to the volume of new residential construction, the importance of renovation is also increasing."

The survey of lenders has two objectives:

1. "To gather information on the ways property owners are financing residential renovations; specifically the instruments offered by institutional lenders, their terms and conditions, preferences of borrowers as demonstrated by takeup levels, qualification and approval practices of lenders, differences among lending institutions, regional variations, perceptions of government role, need for government involvement."

2. "To identify constraints to the financing of renovation; specifically lending practices regarding interest rates, amortization periods, the assessment of risk (importance of borrower characteristics and property values); limits on the amount of loan funds available for renovation; geographical limitations on renovation financing (red-lining)."

The survey was conducted on a very tight time schedule, with all interviews conducted during the week of March 18-22, 1985. Analysis of the results was required to be completed by March 27. While the majority of interviews were conducted by telephone, a large number of personal interviews were completed as well. Approximately one-fifth of the interviews were completed in each of the five regions with the Clayton Research offices in Toronto, Calgary and Vancouver covering Ontario, the Prairie Provinces and

British Columbia, respectively. Interviews in Quebec and the Atlantic Provinces were conducted by Langlais et Hurtubise et Associés (Montreal) and Gardner Pinfold Consulting Economists (Halifax), respectively. In all regions, most interviews were conducted in the major centre where the interviewer's office is located but an effort was made to contact lenders in other centres as well. In many cases, more than one interview per institution was necessary since loans to finance home improvements are available from a number of departments including the mortgage, consumer loan and commercial loan departments.

Due to the diverse nature of the subject at hand, the interview process itself and the differences in procedures and instruments among different lending institutions for different types of borrowers, the results of the interviews do not lend themselves to statistical analysis. Also, since the assignment was restricted to interviews with lenders only, the analysis cannot necessarily be considered as balanced. Interviews with successful and unsuccessful borrowers would be required to obtain a balanced view of the issues.

The report is structured into three sections:

- The first section presents a review of the lending instruments currently used to finance residential renovation activity in Canada and the terms and conditions of each.
- The second section reviews constraints on renovation financing and lenders' comments on the volume and availability of renovation loans as well as differences in residential renovation lending practices by region and type of institution.
- The third section reviews lenders' comments on the role of government in residential renovation lending.

A list of the lending institutions contacted during the course of the interviews and a copy of the interview instrument are included in an appendix.

FINANCING OPTIONS FOR RESIDENTIAL RENOVATION

This section reviews the financing options available to homeowners, rental property owners and renovation contractors undertaking residential renovation work as well as the terms and conditions of the instruments used for each of the financing options.

The section commences with a brief description of the main loan instruments involved in financing residential renovation. The types of instruments used for each of the three types of activities (homeowners, rental properties and renovation contractors) are then reviewed. This is followed by a more detailed description of each of the loan instruments with emphasis on the terms and conditions of each.

SUMMARY OF LOAN INSTRUMENTS

Most lenders do not have a specific lending instrument or policy relating to residential renovation lending. Most are unaware of the extent of renovation lending by their institutions since it encompasses a number of different departments and loan instruments, none of which specialize in renovation lending. The departments include the mortgage department, the consumer lending department (loans for home improvements may be consumer loans where the lender has little or no knowledge of the use to which the funds are to be put), and the commercial lending department where loans to businesses (including rental property owners and building or renovation contractors) are made. There are also a variety of instruments available to each department in their lending operations. The main instruments available to finance renovation work are described briefly below; the terms, conditions and lending practices pertaining to each instrument are described in more detail later:

- Consumer (or personal) loans - these are loans available to individuals for a variety of purposes including major purchases such as an automobile, financing a holiday or making an improvement on a home. Typically, these loans are available on a variety of terms (i.e., interest rates, repayment schedules and security required) which are dependent on the assets and income of the individual involved and the experience (if any) of the institution with the individual. Generally, however, the interest rates charged on consumer loans are higher than those for mortgages due to the increased risk and lower required security. The repayment periods are typically five years or less.

- Mortgages - a mortgage loan is available if there is sufficient equity in the property to carry additional financing. Lenders generally will not lend for renovation purposes if the total financing on the property will exceed 60-75 percent of the property value but within that limit, most will entertain a second mortgage - some with loans at, or close to, the first mortgage rate. Alternatively, the first mortgage can be refinanced with the additional funds and the old mortgage rolled into one loan (insured or uninsured) or the additional loan can be treated as a second mortgage which can be insured. According to the lenders surveyed, in most cases of renovation work, the homeowner or rental property owner has sufficient equity to avoid the necessity of loan insurance.

- Demand loans - a short-term loan where the borrower can obtain funds which are not repayed on a fixed schedule is also available to finance renovation. Demand loans are frequently used by borrowers with substantial assets as an interim financing tool which, in the case of a loan for home improvements, can be replaced by a mortgage. Demand loans are not commonly used to finance renovation work but they are an option available to some borrowers from some lenders. Interest rates on demand loans depend on the security of the borrower.

- Lines of credit - a maximum loan amount established by a lender which a borrower can then draw upon as needed as a means of financing any type of activity is another option. This is often used for financing business activities and is the most common method used in financing renovation activities for rental properties or building contractors. It is also available to some homeowners. The interest rate depends on the security of the borrower.

- Specialized home improvement loans - some lending institutions have a home improvement loan instrument which is specifically geared to financing renovation activity. In most cases, the instrument is simply a slightly modified consumer or mortgage loan which is called a home improvement loan in order to attract customers. The CMHC Home Improvement loan is also available to lenders and borrowers and, in Ontario, the Renoloan is available through MICC. Both of these specialized instruments are subject to a mortgage insurance fee.

Banks and some trust companies appear to have the widest range of loan instruments available to finance home improvements, however, most lending institutions surveyed offer at least one of these instruments for renovations either to an owner-occupied home or to the owner of a rental property or renovation contractor.

TYPICAL MEANS OF FINANCING RESIDENTIAL RENOVATION WORK

Renovations by Homeowners

Almost all lenders indicate that they lend to homeowners for home improvements. The lending instrument varies for different institutions, however, the general pattern of lending for home improvements is as follows:

- For small repair and maintenance types of loans, up to approximately $5,000, lenders offer a consumer loan or, for good customers with whom they have experience, a demand note or a line of credit. These instruments normally require little documentation or administrative time and funds can be advanced quickly. In many cases, loans to homeowners for this small amount are not secured by any collateral other than a simple promise to repay though, in some cases, more security is required. Institutions appear generally not to be very concerned about security on these small loans for home improvements since most homeowners have good equity in their homes and offer an excellent credit risk - the repayment experience on these types of loans to homeowners is very good. In many cases, lenders do not even know the purpose of loans for these small amounts.

- For loan amounts between $5,000 and $10,000, the consumer loan is still the predominant lending instrument - though the options of lines of credit or demand loans are still open to credit-worthy customers. For loans of this magnitude, however, some sort of collateral is generally required for most borrowers. The collateral can be a second mortgage on the property but other security can be offered in order to avoid the legal and appraisal fees which would accompany a collateral second mortgage.

- For loans above $10,000, mortgages become more prevalent though, for some borrowers, consumer loans, demand loans and lines of credit are available for financing up to $20,000. There are a number of reasons why these larger loans tend to be made through the mortgage instrument:

  - From the lenders' point-of-view, mortgages offer greater security than a consumer loan.
  - From the borrowers' point-of-view, mortgages typically offer a longer repayment schedule compared to normal consumer loans and also lower interest rates though this saving is offset to some extent by the legal, property survey and appraisal fees involved in taking out a mortgage and, in the case of refinancing an existing first mortgage, the cost of the prepayment penalties (though some lenders will waive the penalties if refinancing occurs within the same institution).

Depending on whether there is already a mortgage on the property and the size, term and interest rate on any existing mortgages, the loan required for the renovation may be either rolled into the first mortgage or structured as a second mortgage - as long as the total mortgages outstanding do not exceed the lenders' maximum loan/value ratio. In most cases, the maximum loan/value ratio is 75 percent though for some institutions the ratio is lower in some areas. For second mortgages which do not bring the total loan outstanding to near the maximum loan/value ratio, many lenders will offer interest rates at or near the first mortgage rate.

There are no hard and fast rules with regard to the type of loan which would be used to finance residential renovation work. As noted above, the scale of the work (and hence the loan size) is an important consideration, however, the financial strength of the borrower and the length of repayment period required are also very important considerations as are the internal rules and regulations of the lending institution. Banks and large trust companies generally have more flexibility in terms of their financing vehicles than smaller institutions which sometimes face restrictive maximum loan limits for different types of loans. Financially strong borrowers with a good history of dealings with the lender can obtain financing at more advantageous and flexible terms than would be available to most borrowers. Borrowers who require a repayment period longer than five years are generally restricted to mortgage financing though some institutions will extend repayment periods on consumer loans to more than five years as well.

Lenders report relatively few cases in which the total value of loans outstanding would rise to more than 75 percent of property value as a result of loans for renovation work - most borrowers for home improvements apparently have no or relatively small mortgages on their properties.

In cases where the total value of loans required approaches or exceeds the loan/value limit on the appraised value of the property prior to undertaking the renovation, lenders will typically finance the work in either of two ways:

- On an interim financing basis through a consumer or demand loan or line of credit followed by the refinancing of the total package of loans outstanding into a mortgage once the work is completed and a new appraised property value is settled upon; or

- By renegotiating the mortgage based on the expected property value at the time of completion of the work with disbursements of funds as the renovation work proceeds. This method is administratively more complex and expensive to lenders since it requires detailed plans examinations, reviews of cost estimates and inspections on the part of the lender.

The general opinion of lenders is that almost any homeowner interested in undertaking renovation work can obtain the financing necessary to carry out the work under one or more of the instruments available.

Renovations of Rental Properties

In the view of most lenders, renovation activities on rental properties are primarily financed out of the property's internal cash flow or reserve fund (if any). If financing is required, it is generally on a demand note or line of credit basis which can be financed on a short term out of project cash flow.

If major financing is required, typically either a second mortgage is taken out or a refinancing of the first mortgage is undertaken after completion of the renovation work. Lenders look very closely at the project cash flow and possibly the financial statements of the owner before proceeding with a loan of this nature and most also require an interest rate premium and/or a personal covenant from the owner of the property. Other key factors examined by lenders in evaluating these loans are the effects of rental losses while units are being renovated and the likelihood of increased rents to offset the added costs.

Loans for large rental projects are typically handled through the commercial lending departments of the larger banks and trust companies. Smaller lenders such as credit unions and some trust companies typically either do not lend on rental properties or lend only to owners of small rental properties.

Renovations by Contractors

Loans to contractors are typically handled by the commercial department of lending institutions where demand loans or lines of credit are offered with borrowers generally required to provide personal guarantees or other security such as receivables. Upon completion of the renovation, an appraisal of the property can be made and the lender can offer a mortgage. Most lenders are reluctant to become involved in establishing a mortgage amount for a major renovation by a contractor on a speculative basis prior to the work being undertaken. There are a variety of reasons for this: it is difficult to establish final value before the work is completed; the value of the building generally goes down initially as a major renovation generally requires the destruction of parts of the building; and the administrative costs are high because of necessary inspections and progress payments as the work proceeds. Many small lenders are not involved with loans to renovation contractors.

TERMS AND CONDITIONS OF RENOVATION LOANS

Consumer Loans

Consumer loans are the most common vehicle for financing repair and maintenance activities or small renovations where the value of the loan is $10,000 or less. Interest rates for consumer loans vary depending on the lender, the borrower and the term of the loan. Generally, a variable rate loan is available to the best customers starting at or near the prime lending rate, one-year term loans to the best customers have rates of a half to one point higher than prime with the rates on longer terms ranging upwards from that. Most customers would pay higher rates than these.

There are variations among institutions concerning interest rates on consumer loans for renovations; however, generally, the banks, trust companies and credit unions are in the same broad range. Finance companies typically charge much higher interest rates - up to 29 percent on small loans.

Consumer loans are preferred to alternative types of financing vehicles for these small home improvement loans since they are administratively easy, no legal documents or property appraisals are required in most cases and the funds can be advanced quickly - often within one day. Mortgages may generally have a lower interest rate but the charges associated with appraisals, legal fees and property surveys offset this advantage for small loans.

For loan amounts above $10,000, mortgages become an increasingly popular means of financing - depending on a borrowers circumstances. On large loans, the longer amortization period and generally lower interest rates of mortgages tend to offset the higher initial charges associated with legal, appraisal and property survey fees for many borrowers. However, for borrowers with high incomes or assets (and correspondingly lower consumer loan interest rates), consumer loans may still be a cheaper, more flexible vehicle than mortgages even for large loan amounts - particularly if it is anticipated that the loan will be paid off quickly.

Also, for those with substantial means or equity in their homes, consumer loans offer a good vehicle to provide interim financing for a large renovation which later can be rolled into an existing first mortgage or into a new second mortgage. This approach would avoid the administrative problems associated with appraisal and approval of the renovation plans by the lender, inspections during renovation and provision of advances during construction.

The amortization period for consumer loans is generally a maximum of five years though in some instances, a longer term may be obtained.

Maximum loan amounts are generally not a constraint on consumer loans for renovation activity. Most institutions allow maximum consumer loans which are well above the amounts generally requested to provide financing for home improvements.

The security required for consumer loans for renovations varies depending on the income and assets of the borrower as well as the experience of the lender with the borrower. Reliable past borrowers with solid financial strength generally receive a better interest rate and have lower security requirements than those of lesser means. Many lenders require little security other than a promissory note for loans of less than $5,000. Above that figure, other security such as stocks and bonds or personal possessions such as a car or boat or a collateral second mortgage may be required, depending on the borrower. Also, for larger loans, many institutions require that borrowers submit plans and cost estimates for the renovation.

The criteria applied by lenders in assessing the viability of a consumer loan varies by institution. The fact that the loan may be for home improvements makes little difference since, in most cases, the loan is not tied to the renovation work. Most lenders use a maximum 37-40 percent total debt service ratio (principal and interest payments on all debts compared to income). Some lenders use a budget or points approach - income, current debts, credit worthiness and net worth are all important considerations. In some institutions, only a portion of spouses' income is taken into consideration.

Most lenders are not aware of the proportion of their consumer loans that are for home improvements; in general, the proportion is considered to be small - less than 10-15 percent. The rate of turndowns of consumer loans for home improvements is considered to be extremely small - less than 5 percent in most institutions. Homeowners borrowing for home improvements are generally considered to represent a much better risk than typical consumer loan borrowers and they have a correspondingly lower turndown rate. The main reasons cited by lenders for the rejection of consumer loans for home improvements relate to the borrower (income, assets, past history) not the security of the home or the nature of planned renovations.

Mortgages

In general, lenders prefer not to negotiate a new mortgage on a property to be renovated until after the renovation occurs - unless the owner has sufficient equity that an "as is" appraisal will provide enough security. Lenders are wary of committing themselves to higher mortgage amounts based on the renovated property value prior to the work being undertaken for a variety of reasons:

- The additional administrative costs associated with plans examination, assessment of the estimated costs and ultimate market value of the planned renovations, inspections and disbursements as construction proceeds.

- Chronic underestimation of the cost of the renovation work by the property owner - some lenders add 25 percent onto owners' estimated costs for the purpose of loan approval.

- Property values decline in the early part of most major renovations as a result of destruction of part of the building.

- Many renovations take substantially longer to complete than originally anticipated - this is particularly true for homeowner renovations.

The advantage of waiting until the renovation is completed (from the lenders' point-of-view) is that, at that point, an appraisal can be made and a maximum insured or uninsured lending value arrived at without undergoing all of the difficulties noted above. However, this approach requires the borrower to undertake more expensive interim financing through a consumer loan, demand loan or line of credit with no guarantee of the ultimate value of the mortgage loan to be advanced.

For most homeowners, this does not present a problem. Lenders' experience is that the vast majority of homeowners have sufficient equity in their homes to easily accommodate the anticipated cost of the renovation work within the accepted loan/value ratio based on current property value (without taking account of any expected increase in the value of the property as a result of the home improvement). In these cases, funds can be advanced prior to the commencement of the renovation and many lenders take little or no interest in the progress of the work itself though most prefer at least to see the plans. Many rental property owners are in similar circumstances with sufficient equity in the property to finance needed renovation work through a renegotiated mortgage prior to the renovation work.

The decision regarding the rolling of additional mortgage funds into the current first mortgage (if there is one) or writing a second mortgage depends on individual circumstances. If the homeowner has a good interest rate on favourable terms on an existing first mortgage with the same institution, some lenders allow a new first mortgage with a larger loan amount and a blended rate with no prepayment penalties. Other lenders will write a second mortgage at or near the current first mortgage interest rate as long as the total loans outstanding do not approach the maximum loan-value ratio for conventional mortgages. As with consumer loans, there is discretion on the part of the institution with regard to the terms and conditions of first and second mortgages depending on the lenders' experience with the borrower and the borrowers' financial circumstances.

For homeowners or rental property owners who do not have sufficient equity in their property to finance the renovation work without taking account of the probable increase in value as a result of the work, most institutions are prepared to lend on the basis of the inspection/draw process if necessary. Some, however, will not and insist on an interim financing instrument with conversion to a first or second mortgage upon completion of the work.

The interest rates, terms, fees and criteria applied in financial assessments of the borrower appear to be no different for first and second mortgages to finance renovation work than for normal mortgage lending. For major renovations, most institutions require plans and contracts to assess the viability of the work to be undertaken even if they do not monitor the activity or provide progress payments.

Loan/value ratios for mortgages for renovation activity are generally the same as for normal mortgage lending. In most larger centres, lenders will lend up to 75 percent of property value for uninsured first and second mortgages. Above that figure, either NHA or MICC loan insurance is required. In some smaller centres or in undesirable parts of major centres, however, many institutions either will not lend at all or will make uninsured loans only up to 60 percent (and, in some cases, 50 percent) of property value. Some lenders require mortgage insurance in all or some small communities.

Disapproval rates for first and second mortgages to finance residential renovations are not available from any lending institutions nor do many lenders have estimates of the value of mortgages advanced for such activity. Most lenders indicate that the turndown rate is very low and that rejections are linked most often to the qualifications of the borrower rather than to the property or the purpose of the loan. Red-lining (i.e., not lending in particular areas or neighbourhoods) is not a widespread practice according to lenders though some lenders confirmed that loans on dwellings in poor condition or dwellings located in or near commercial/industrial areas are examined very closely. Some lenders expressed concern about lending for home improvements which increased the quality of the dwelling beyond that prevailing in the neighbourhood.

Demand Notes and Lines of Credit

These are the preferred instruments (by lenders) for financing renovation activities of commercial enterprises such as rental property owners and renovation contractors. Some particularly creditworthy homeowners can also use these instruments rather than consumer loans or mortgages.

These instruments are generally used in cases where the repayment period is expected to be short - for example, in the case where the cash flow of a rental property is expected to be sufficient to repay the loan in a matter of months or where the homeowner expects to have sufficient funds to repay the loan shortly. As was outlined in the previous discussion on mortgages, these instruments also have the advantage (for the lender) of not necessitating involvement in the renovation process itself - no inspections, etc. The lender merely needs to be satisfied that either there is sufficient owner equity in the project (or in the guarantees signed by the property owner) or, in the case of rental properties, that the cash flow of the project (allowing for vacancies) is sufficient to carry the loan. Following completion of the renovation work, and depending on the size of the loan and the cash flow situation of the borrower, the outstanding loan can either be added to the mortgages or repaid out of cash flow.

The terms and conditions attached to demand notes and lines of credit for renovation activity do not appear to be substantially different from those attached to such instruments for other activities. Lenders are interested in the viability of the project and its prospects for future profitability but are also covering their potential losses through examination of financial statements, personal covenants, etc. Interest rates and other terms and conditions vary with perceived risk and experience with the borrower as well as collateral assets.

Specialized Home Improvement Loans

Very few institutions offer specialized home improvement loans. In the few cases where such loans are available, the instruments used are invariably either a slightly modified consumer loan or, for those with substantial equity in their homes, a simple mortgage loan. Some institutions have found that having a "home improvement loan" has brought in some business, but few have launched significant promotional campaigns.

The CMHC Home Improvement loan program met with almost universal disapproval by the lenders surveyed. Very few lenders use the program at all - none use it extensively. Among the reasons cited by lenders for not using the CMHC program are:

- The "red tape" and paper work involved given the size of the loan, normal consumer loans require much less administration;
- The loan limit of $10,000 is insufficient to satisfy the needs of homeowners doing major renovations;
- Most homeowners undertaking renovations have sufficient equity in their homes to qualify for a loan without paying a mortgage insurance fee;

- The market mortgage interest rates provided for under the program are not sufficient to provide a good return to the lender given the administration costs involved; and

- Some lenders are not aware of the program and do not see a need for it.

The second mortgage insurance program through the Mortgage Insurance Company of Canada (MICC) is also not extensively used by most lenders. The reasons cited again are hefty fees, red tape and the fact that most homeowners have more than sufficient equity in their home to qualify for an uninsured loan.

The Renoloan program promoted by MICC, in co-operation with the provincial government in Ontario, has not experienced a great deal of activity. The program offers loan insurance (for a premium of 2 percent) to cover a loan of up to 85 percent of the completed value of the home. Most Ontario lenders find the program to be administratively complex and costly for both borrower and lender. Despite this, many lenders indicate that the program fills a niche in the market and expect increased levels of activity as the program becomes better known to their staff, to renovation contractors and the public. Because of slow takeup by other lenders, MICC has recently commenced making direct loans to homeowners and contractors under the Renoloan program - the terms are substantially the same as for loans made through lenders, however, a minimum loan of $15,000 applies to the direct loans.

VOLUME AND CONSTRAINTS ON RENOVATION FINANCING

This section reviews lenders' perceptions of the volume and availability of renovation financing, the constraints on renovation financing in terms of administrative costs, risks and rejection levels and some notes on differences in renovation financing practises in Canada by region and type of lender.

VOLUME AND AVAILABILITY OF RENOVATION FINANCING

Few lenders have reliable estimates of the volume of loans which have been made to finance renovation activity. Since such loans are virtually all financed under loan instruments where the lender is often not aware that the loans were made to finance renovations and, in most cases, the purpose of the loan is not recorded in any systematic way, it is virtually impossible to obtain any reliable estimates of the volume of renovation financing for most lenders. Few lenders indicate that the volume of loans for home improvements would be as high as 15-25 percent of lending for consumer or mortgage loans - in most cases, it would appear to be much lower. For lines of credit or demand loans, the volume of renovation loans is likely to be much lower still.

While firm figures are not available, there is a clear perception on the part of lenders that the volume of loans for renovations is increasing. Only in Alberta and British Columbia did a significant number of lenders indicate that volumes are lower than for the average of the past five years - and this is restricted to consumer loans since mortgages for renovations are reported to be steady or higher in all regions. Ontario in particular appears to be experiencing a higher volume of mortgage and consumer lending for renovation than the average of the past five years.

No lenders indicate that there are any formal restrictions on the volume of renovation lending. Some indicate that they prefer home improvement loans to loans for other purposes such as financing cars or holidays, etc.

Not all institutions will lend for all types of renovation activity. In particular, some of the smaller banks and trust companies do not normally entertain small loans (for any activity, not just renovations) either for homeowners or commercial enterprises. Similarly, credit unions do not normally lend to rental property owners or contractors. Most large banks and trust companies offer a full range of lending services to both homeowners and businesses seeking financing for renovation work though, for some institutions, there are restrictions with regard to the location of the property to be renovated if there are no branches within easy travelling distance of the property - however, this restriction applies to all types of loans, not just those for renovations.

According to the lenders surveyed, lending for renovations is not generally restricted only to desirable areas - red-lining is not prevalent. The nature of many of the loan instruments used for renovation financing (consumer and demand loans and lines of credit) places the security for the loan primarily on the borrower, not on the property, therefore, in many cases, the location of the property or the nature of the renovation does not appear to be a serious consideration. Mortgages, however, are secured by the property and some lenders indicated a reluctance to lend in certain areas. In these cases, the terms and interest rates offered may be less attractive to borrowers and some lenders may require either lower loan/value ratios or loan insurance or may place a very low appraisal value on the property.

CONSTRAINTS ON RENOVATION FINANCING

Administrative Costs

According to the lenders surveyed, financing renovations under the consumer loan, demand loan and line of credit instruments entails no special administrative costs since the lender is often not interested in the use to which the funds are put. Security for these loans is normally unrelated to the renovation work therefore, costly inspections and appraisals are not necessary though many lenders still prefer to review plans and cost estimates in advance.

As noted in the mortgage loans discussion, however, renovation loans can entail significant additional administration costs if the lender is involved in lending on the future value of the property following renovation. Many lenders are simply unwilling to undertake these types of loans. Instead, they offer interim financing with a mortgage to be negotiated following the completion of the work. Also, some lenders indicate that since the average loan size is low, the per dollar administration cost of renovation-related mortgages is higher than for new mortgages even if no inspections or disbursements are necessary.

Risks

In general, loans to homeowners for home improvements are considered by lenders to be less risky than consumer loans for other purposes. Homeowners tend to be more stable and have more security than the average borrower for consumer loans and, providing there is a substantial amount of equity in the home, increased mortgage amounts for home improvements do not entail a substantial degree of risk.

Where a mortgage is based on the value to be added to the home as a result of an improvement, however, there can be an increase in the risk to lenders. According to the lenders surveyed, most homeowners underestimate the costs of the work to be done and many do-it-yourselvers and some renovation contractors cannot be relied upon to complete the work on schedule. Nonetheless, the fact that funds are not disbursed without inspections, etc. and the restrictive maximum loan/value ratios or insurance on larger loans provide a substantial degree of protection to lenders in these cases.

Lenders' experience is similar with respect to loans to renovation contractors and rental property owners. Risk on renovation loans made through demand notes and lines of credit are not considered to be significantly different from other types of commercial lending since the loan is generally based on factors other than the value of the renovation work (personal covenants, financial statements, cash flow for rental projects, etc.). As with homeowners, risk is considered to be higher for loans based on the increased value of the property but the lender has a substantial degree of protection in the disbursement procedures and the restrictive loan/value ratio or loan insurance.

Finally, as with all types of loans, there are some geographic areas which are perceived to represent larger risks than others. The currently depressed economic conditions in parts of Western Canada, for example, make some lenders wary of making any loans (not just loans for renovation) in these areas.

Rejections

While reliable estimates on the proportion of home improvement loans rejected by lenders are not available, most lenders indicate that this proportion is very low. For consumer loans particularly, homeowners represent a much better risk than the average borrower and the proportion turned down appears to be minimal. Also, for homeowners seeking mortgages for major renovations, the proportion turned down is reported to be very low - most of these borrowers have very substantial equity in their home and therefore represent a solid credit risk for mortgages as well.

For homeowners turned down on requests for loans for home improvements, lenders overwhelmingly point to reasons such as income, poor credit rating or lack of security for the rejection. Lenders believe the location of the dwelling or the renovation work planned is not a major factor in most decisions to turn down such loans.

Lenders are not able to provide any estimate of the proportion of rental property owners or renovation contractors who are turned down on requests for financing of renovation activity but indi-

D. Can you provide an estimate of the value and number of first mortgage loans for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

_____
_____
_____
_____

7. Demand Note

A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with lending practises for demand notes for purposes other than renovation?

_____
_____
_____
_____

B. On what basis do you qualify a borrower for a demand note for renovation work? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

_____
_____
_____
_____
_____

C. What proportion of requests for demand notes for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

_____
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D. Can you provide an estimate of the value and number of demand notes for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

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cate that regular customers would generally be expected to obtain funds for such activity. Lenders indicate that many mortgages on rental properties or properties to be renovated by contractors do not proceed because borrowers shop around among lenders seeking the best interest rates and terms and the highest appraised value.

DIFFERENCES BY REGION AND LENDER TYPE

Differences by Region

No significant regional variations in lending practises for renovation were detected during the course of the survey. All lenders appear to apply basically the same principles and procedures in assessing the viability of the loans for home improvements regardless of where the property is located. Similar problems, such as the more conservative lending practices in rural areas, were noted in all regions but no region appeared more restrictive than others. Also, rural areas appear to be less well served than urban centres since some major lenders have relatively few offices and will not lend to borrowers beyond a given radius from an office.

As noted previously, some lenders are reluctant to lend on any activity in depressed economic areas. As a result, lending practices for renovations in parts of Western Canada may be more restrictive at present, particularly for rental properties in areas with high vacancy rates and for speculative renovations.

Differences by Lender

No two lenders appear to have exactly the same procedures with respect to renovation lending. Many do not lend to large rental property owners or renovation contractors, a few lend to these types of businesses exclusively. No institution has a renovation lending policy as such - all use loan instruments developed for more general purposes to satisfy the requirements of renovation lending.

There are significant variations in renovation lending practices even within the major types of lenders: banks, trust companies, credit unions and finance companies. For example, large banks and some major trust companies have much more in common in this regard than do large banks and small banks.

The full range of financial instruments for renovation lending of all types appears to be available from large banks and some major trust companies. Most will service homeowners, rental property owners and renovation contractors though the trust companies ap-

8. Line of Credit

A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with lending practises for lines of credit for purposes other than renovation?

B. On what basis do you qualify a borrower for a line of credit for renovation work? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for lines of credit for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

D. Can you provide an estimate of the value and number of lines of credit for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

7. Specialized Home Improvement Loan

A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)?

pear less active in the renovation contractor market. These institutions all offer a range of consumer loans, mortgages and, in some cases, demand loans and lines of credit. A few offer home improvement loan packages, but these are basically consumer loans or mortgages under a name designed to attract business. The financial terms and conditions attached to the various loan instruments used for renovations vary for each institution, however, they are basically similar. In most cases, the mechanism and lending practices for renovation loans are the same as those for similar types of loans for other purposes. Some differences among institutions include:

- Based on plans and cost estimates, most banks and trust companies will negotiate a mortgage loan based on the appraised value of the property following renovation and will make disbursements on the loan as the renovation work proceeds. However, some banks and trust companies discourage this practice and instead only offer interim financing to be rolled into a mortgage upon completion of the work.

- Institutions appear to have slight differences in the charges and requirements with respect to renovation work. Inspection fees vary from $25 to $50. Slight variations in the means of qualifying borrowers for loans are evident among lenders. Many lenders require a set of plans and estimates even if the loan is not to be tied to the estimated increase in value of the work. To cover possible underestimation, some lenders will write the value of the home improvement loan up to 25 percent above the requested value so as to avoid the borrower later applying for a larger loan.

- Some lenders are prepared to blend the interest on a refinanced mortgage between that on the existing mortgage and the current mortgage rate.

Smaller banks and some trust companies and credit unions tend to restrict their clientele. Most smaller banks lend on larger projects only and discourage loans to homeowners or small businesses. Some trust companies do not offer consumer loans but will offer mortgage financing following completion of the renovation work. Credit unions tend mostly to concentrate on homeowner renovations but will lend on small rental properties if the owner lives in one of the units. Finance companies will look at most projects but charge significantly higher interest rates.

In summary, it is difficult to generalize on the practices of different types of lending institutions with regard to renovation lending. The large banks and some trust companies clearly offer the widest range of instruments and, hence, the broadest range of

services available to all types of renovation activity. They also offer the broadest geographical coverage - especially the large banks. However, the more specialized institutions offer services to particular clienteles at competitive interest rates. Each has a niche in the market.

THE ROLE OF GOVERNMENT

This section reviews lenders' views on the role of government in renovation lending. The views of lenders with respect to the access of Canadians to financing for renovations are covered first, followed by lenders' comments on the need for government assistance, loan insurance or guarantees to homeowners or rental property owners in financing renovation activity. Finally, the means by which lenders suggest that government could promote lending for residential renovation are discussed.

ACCESS TO FINANCING

Almost all lenders contacted indicate they believe that Canadians generally have good access to financing for residential renovation. Some indicate that rural areas present some difficulties for lenders because of difficulties in establishing a market value, relatively scarce experienced local building trades and distances from lenders' offices, but this is not peculiar to loans for renovation. In fact, it was pointed out that, since most loans for home improvements are financed through consumer loans on which the security is generally not the property itself, access to renovation financing in rural areas is probably better than access to mortgage financing for home purchase.

For more substantial renovations where the value of the property is an important consideration, it seems clear that the access of Canadians living in rural areas is not as good as it is for those in major centres. In some institutions this is reflected in lower appraisal values in rural areas, some have lower maximum loan-value ratios, some will not lend in rural areas at all - or only with loan insurance.

Lenders generally are of the opinion that loans for home improvements present few problems as long as lenders do not have to become involved in assessing the value of the improvements themselves or undertaking the inspections and other procedures necessary to ensure that the work has been done prior to advancing the funds. For these latter loans, the procedures are more complex and the administrative costs are correspondingly greater. Thus, small loans that can be relatively easily accommodated through consumer or demand loans or lines of credit are well served by current instruments as are customers with a large enough equity in their property that they can borrow sufficient funds through a second mortgage or a refinanced first mortgage based on the existing property value.

NEED FOR GOVERNMENT ASSISTANCE

By far, the majority view of lenders is that there is no need for government assistance either to homeowners or owners of rental property in financing residential renovation work - especially if this involves subsidy programs. The general view is that the private market serves the needs of most borrowers and government programs would do little more than spend scarce tax dollars on high-risk funding.

A minority of lenders, however, see a greater role for government in this regard. Among the views expressed are:

- Rental housing is deteriorating and, since the rent controls imposed by government are partly responsible for this, some lenders believe there is a role for government to assist in the financing of renovation of these buildings.
- Some lenders believe there is a need to assist low-income homeowners or first-time homebuyers in upgrading their property - other lenders specifically noted that subsidy programs to assist needy homeowners with limited equity are not likely to be successful and may lead to some owners losing their homes.
- Some lenders believe there is a need for protection from volatile interest rates.
- Some lenders note the job creation potential of renovations.
- Some lenders urge tax concessions for renovation work.

NEED FOR GOVERNMENT INSURANCE OR GUARANTEES

Since most lenders indicate there are few problems with renovation financing in its current form, it is not surprising that most do not believe there is a need for additional government loan insurance or guarantee programs. Some lenders express the view that insurance or guarantees can lead to sloppy lending practises on the part of lenders. One lender expressed concern that a successful program of loan insurance might prove more costly to some borrowers who would currently qualify for uninsured loans since lenders might prefer the new instrument and require all borrowers to use it.

However, a significant minority believe that there is a greater role for government in this regard. Suggestions of those who believe there is a greater role for government include:

- Provision of insurance on second mortgages so that existing first mortgages with favourable interest rates do not have to be renegotiated. MICC already has such a program but does not lend in all areas.

- Any program of guarantees or insurance must recognize the need to minimize "red tape" and not be significantly more onerous on the lender (or borrower) than are existing lending practises. The CMHC Home Improvement loan program is cited as an example of how not to do it.

- Insurance or guarantees in rural areas or less desirable parts of urban centres would assist some homeowners.

- Guarantees or insurance would encourage lenders to provide funds to borrowers in more risky situations (this is viewed by some lenders as a disadvantage).

- Insurance against non-completion of the renovation work would assist lenders by allowing them to make disbursements without inspections and would lower administrative costs.

- A program such as the MICC Renoloan program in Ontario could be beneficial in the national context. However, the lenders' key consideration is obtaining the insurance without adding significantly to administrative costs.

MEANS OF PROMOTING RENOVATION FINANCING

Most lenders do not believe there is a need for government involvement in promoting residential renovation financing. Among those who do see a role for government, suggestions included:

- Education programs for homeowners on the renovation process - some lenders note that some excellent brochures and "how to" manuals are available, and believe they should receive wider distribution.

- Promotion programs for increased standards among renovation contractors - training courses, quality standards and rewards for quality renovation contractors should be encouraged.

- CMHC should consider allowing refinancing of existing NHA mortgages where the purpose is to provide funds for renovation.

APPENDIX

LENDING INSTITUTIONS CONTACTED
AND
INTERVIEW INSTRUMENT

LENDING INSTITUTIONS CONTACTED

ATLANTIC

Bank of Montreal
Bank of Nova Scotia
Royal Bank of Canada
Toronto Dominion Bank
Atlantic Trust
The Permanent
Central Trust
Montreal Trust
Nova Scotia Savings and Trust
Royal Trust
Dartmouth Community Credit Union
Federal Savings Credit Union
Household Finance Corporation
League Savings and Mortgage Co.
Trans Canada Credit Corporation

QUEBEC

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank
Banque Continentale
Banque Nationale
Canada Trust
Credit Foncier
Fiducie du Québec
Montreal Trust
National-Victoria & Grey Trust
The Permanent
Royal Trust
Trust General
Home Mortgage and Acceptance Corporation
Household Finance Corporation
La Laurentienne Life Insurance Co.
Société d'Habitation Alphonse Desjardins

LENDING INSTITUTIONS CONTACTED

ONTARIO

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank
Continental Bank
Mercantile Bank
National Bank
Canada Trust
Eaton/Bay Trust
Guaranty Trust
National-Victoria & Grey Trust
Royal Trust
Civil Service Co-operative Credit Union
CUNA of Ontario
Family Savings Credit Union
Niagara Falls Credit Union
Northern Credit Union
St. Stanislaus Credit Union
Scarborough A.M. Credit Union
SECAL
Stelco Employee Credit Union
Avco Financial Services
Household Finance Corporation

PRAIRIES

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank
Bank of British Columbia
Canada Trust
National-Victoria & Grey Trust
Royal Trust
Assinboine Credit Union
Co-Op Credit Union
Steinbach Credit Union

LENDING INSTITUTIONS CONTACTED

BRITISH COLUMBIA

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank
Bank of British Columbia
The Permanent
Citizens Trust
Credit Foncier
Guaranty Trust
HFC Trust
Montreal Trust
National-Victoria & Grey Trust
Principal Trust
Regional Trust
Royal Trust
Surrey Credit Union
Vancouver City Savings Credit Union

INTERVIEW INSTRUMENT

LOAN INSTRUMENTS AVAILABLE

1. What instruments do you provide for financing residential renovation work (i.e. all work to an existing dwelling)?

   - Consumer loan _____
   - Second mortgage _____
   - First mortgage _____
   - Demand note _____
   - Line of credit _____
   - Specialized home improvement loan _____
   - Other (Specify)

   _____

2. Does your institution finance residential renovation work for renovation contractors and owners of rental property as well as homeowners? Which instruments are most popular with each of the types of borrowers? Why?

   _____
   _____
   _____
   _____
   _____
   _____

3. Does your institution promote certain instruments more than others? Does this promotion depend on the type of borrower (homeowner, contractor or landlord), type of work or area (urban versus rural)? Does it depend on the size of the loan: repair and maintenance (up to $4,000), minor renovation ($4,000-10,000), major renovation (over $10,000)? Why? Which instruments are promoted in each case? Why? In what ways does this promotion occur?

   _____
   _____
   _____
   _____
   _____
   _____

QUESTIONS TO BE ASKED FOR EACH INSTRUMENT OFFERED

4. Consumer Loans

   A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with lending practises for consumer loans for purposes other than renovation?

      _____
      _____
      _____
      _____

B. On what basis do you qualify a borrower for a consumer loan for renovation work? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for consumer loans for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

D. Can you provide an estimate of the value and number of consumer loans for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

5. Second Mortgages

A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with lending practises for normal second mortgage loans?

B. On what basis do you qualify a borrower for a second mortgage for renovation work? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for second mortgage loans for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

D. Can you provide an estimate of the value and number of second mortgage loans for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

6. First Mortgage

A. What are the key features of this instrument (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with lending practises for normal first mortgage loans?

B. On what basis do you qualify a borrower for a first mortgage for renovation work? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for first mortgage loans for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

B. On what basis do you qualify a borrower for a specialized home improvement loan? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for specialized home improvement loans are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

D. Can you provide an estimate of the value and number of specialized home improvement loans in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

10. Other

A. What are the key features of other instruments used for lending for renovation (i.e. interest rate compared to prime, term, loan amount, administrative costs to the borrower such as appraisal and legal fees, availability, security)? How do these compare with similar instruments for non-renovation loans?

B. On what basis do you qualify a borrower for this type of financing for renovation? What effect do borrower and dwelling characteristics (i.e. income, source of income, amount of loan, number of earners, type of household, type of dwelling, location of dwelling, type of work) have on this decision?

C. What proportion of requests for these types of loans for renovation are turned down? What are the main causes of rejection? Are these related to dwelling values, geographical locations, neighbourhood characteristics (i.e. does red-lining occur)?

D. Can you provide an estimate of the value and number of these types of loans for renovation in 1984 in this region? How does this compare with the year before? With five years ago? If not, who in your institution might have this information? Be clear about which region the figures cover.

MORE GENERAL QUESTIONS RELATING TO RESIDENTIAL RENOVATION LENDING

11. Does lending for home improvements entail more administrative time and cost than loans for other purposes? Why?

12. Is lending for home improvements more (or less) risky than other forms of lending? Why?

13. Are you familiar with CMHC guarantees for home improvement loans? Are you familiar with the MICC second mortgage insurance which can be obtained for renovation loans? Is there any activity under these programs in your area? Why is this so?

ROLE OF FEDERAL GOVERNMENT IN RESIDENTIAL RENOVATION LENDING

14. Do you believe Canadians generally have good access to financing for residential renovation? In rural and small urban areas as well as larger urban centres?

15. Do you see a need for government to assist homeowners or rental property owners in financing residential renovation work? Why? Why not?

16. Do you see a need for government to encourage lending on residential renovation by providing guarantees or insurance to lenders for residential renovation loans?

17. Are there any other ways (either subsidy or non-subsidy) that government could promote loans for residential renovation?